

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration 500 West Temple Street, Room 713, Los Angeles, California 90012 (213) 974-1101 http://ceo.lacounty.gov

May 18, 2010

The Honorable Board of Supervisors County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street

Dear Supervisors:

Los Angeles, CA 90012

Board of Supervisors GLORIA MOLINA First District

MARK RIDLEY-THOMAS Second District

ZEV YAROSLAVSKY Third District

DON KNABE Fourth District

MICHAEL D. ANTONOVICH Fifth District

APPROVE A RESOLUTION OF INTENTION AND APPROVE THE INTRODUCTION OF AN ORDINANCE TO GRANT A WATER PIPELINE FRANCHISE TO CALIFORNIA DOMESTIC WATER COMPANY (FIRST AND FOURTH DISTRICTS) (3 VOTES)

SUBJECT

Approval of these recommendations will renew an existing water pipeline franchise granted to California Domestic Water Company, to maintain and operate water pipelines in County highways located in the unincorporated areas of Avocado Heights/Bassett, Northwest Whittier/Hacienda Heights, La Habra Heights, and Rowland Heights.

IT IS RECOMMENDED THAT YOUR BOARD:

- 1. Approve a Resolution of Intention to grant a water pipeline franchise to California Domestic Water Company, a California corporation (Cal-Domestic), to renew Cal-Domestic's existing franchise rights.
- Introduce, waive reading, and place on your Board's agenda an ordinance to grant Cal-Domestic a 15-year water pipeline franchise, setting the matter for public hearing on June 9, 2010, and instructing the Executive Officer of your Board to publish a notice of the public hearing pursuant to California Public Utilities Code Section 6232.
- 3. Find that this franchise renewal project is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

"To Enrich Lives Through Effective And Caring Service"

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AFTER THE PUBLIC HEARING, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the ordinance to grant Cal-Domestic a 15-year water pipeline franchise, becoming operative July 12, 2010, the day after the existing franchise expires.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of these recommendations is for your Board to approve a Resolution of Intention, introduce an ordinance, schedule a public hearing, publish a notice of the public hearing, and after the public hearing adopt an ordinance to renew Cal-Domestic's existing franchise rights.

Implementation of Strategic Plan Goals

The County Strategic Plan directs that we maximize and support timely delivery of efficient public services (Goal 1), and provide access to delivery of customer-oriented municipal services (Goal 3). Your Board's approval of these recommendations to grant Cal-Domestic a water pipeline franchise is consistent with these goals.

FISCAL IMPACT/FINANCING

Cal-Domestic has paid the County a one-time granting fee of \$5,000 to process an ordinance to grant the franchise. For Cal-Domestic's use of County highways for proprietary pipelines in franchise areas Part A and Part B, Cal-Domestic will pay an annual franchise fee between \$2,500 and \$13,300 each year based upon a linear footage formula using the diameter and length of the pipelines. The annual franchise fee will be adjusted upward each calendar year using the Producer Price Index.

For Cal-Domestic's use of County highways for its water distribution pipelines in franchise areas Part C and Part D, Cal-Domestic will also pay the County an annual franchise fee based upon two percent of the gross annual receipts arising from the use, operation, or possession of the franchise, but not less than one percent of the gross annual receipts from the sale of water within the franchise areas. Additional information regarding Cal-Domestic's water pipeline system, the annual franchise fee, and the basis for this dual payment structure is provided below.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On June 11, 1985, your Board adopted Ordinance No. 85-0100F, granting a 25-year County-wide water pipeline franchise to Cal-Domestic that will expire July 11, 2010. Since Cal-Domestic is a nonprofit mutual-benefit corporation organized as a mutual water company in 1902 for purposes of selling water to its shareholders at cost, the franchise was granted using the franchise format for mutual water companies codified in County Highway Code in 1978 (16.52.200.B), and the annual franchise fee was based solely upon a percentage of the gross annual receipts.

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Cal-Domestic has installed water pipelines in unincorporated areas where the company does not sell or distribute any water directly to any shareholders under your Boards' jurisdiction, and pursuant to County Highway Code (16.52.200.C), this use of County highways does not generate gross annual receipts from sales of water in these unincorporated areas and is classified as a proprietary "pass-through" franchise right requiring compensation to the County using a linear footage payment schedule.

Cal-Domestic's major water transmission system (its 54-Inch and 48-inch "M" pipeline), traverses the cities of El Monte, Industry and Whittier, and is installed in and across various County highways in the unincorporated areas of Avocado Heights/Bassett, and Northwest Whittier/Hacienda Heights (Part A and Part B), then exits the County to distribute water in the city of La Habra in Orange County. Three of Cal-Domestic's distribution systems (Hacienda, Carol and Plant No. 6) re-enter the County (from Orange County) to sell and distribute water to 158 homeowner/shareholders under your Board's jurisdiction located within two pocket neighborhoods in the unincorporated areas of La Habra Heights and Rowland Heights (Part C and Part D).

The payment provisions of Cal-Domestic's new franchise acknowledge this dual use of County highways, and in recognition of Cal-Domestic's nonprofit status, for proprietary pass-through pipelines that do not distribute water in unincorporated areas (Part A and Part B), the recommendation is for your Board to renew franchise using the moderate proprietary rates codified in County Highway Code in 1978 (16.52.200.C).

Cal-Domestic's rights to install and maintain water pipelines within the County date back to the early 1900s, and Cal-Domestic is currently compiling an abstract of title to validate its claim of having "prior rights" for certain County highways. If Cal-Domestic's claim is confirmed, Cal-Domestic will have complied with the County Highway Code requirement to show proof of the right to use the County highways (pursuant to Section 16.06.030), and with respect to those highways, Cal-Domestic would be exempt from the payment of the annual franchise fee and certain other fees required in the franchise and County Highway Code. If all of Cal-Domestic's pipelines fall within the claim, the annual fee for its proprietary pass-through pipelines will be as low as \$2,500.

Cal-Domestic will also pay an annual franchise fee for its use of County highways to distribute water in the unincorporated areas of La Habra Heights and Rowland Heights (Part C and Part D), based upon a percentage of its gross annual receipts as described in the previous section.

The Department of Public Works and County Fire Department have reviewed these recommendations and have no objections to the renewal of the Cal-Domestic franchise. County Counsel has reviewed the Resolution of Intention and accompanying ordinance to grant Cal-Domestic a water pipeline franchise and approved them as to form.

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Pursuant to Section 6232 of the California Public Utilities Code, the Executive Officer of the Board shall arrange for publishing of a notice of the public hearing in a newspaper of general circulation in the County at least once within 15 days after your Board's adoption of the Resolution of Intention.

ENVIRONMENTAL DOCUMENTATION

This franchise renewal project is categorically exempt under CEQA pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15301 of the State CEQA Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will not adversely affect current services or future projects.

CONCLUSION

Instruct the Executive Officer, of the Board of Supervisors, to send conformed copies of the adopted Board recommendation, Resolution of Intention, and franchise ordinance, Attention: Mr. Jim Byerrum, President, California Domestic Water Company, P.O. Box 1338, Whittier, California 90609, and the offices of County Counsel, Department of Public Works, Fire Department, and the Chief Executive Office, Real Estate Division.

Respectfully submitted,

WILLIAM T FUJIOKA Chief Executive Officer

WTF:SK:WLD CM:RB:lis

Attachments

c: Executive Office, Board of Supervisors County Counsel Department of Public Works Fire Department

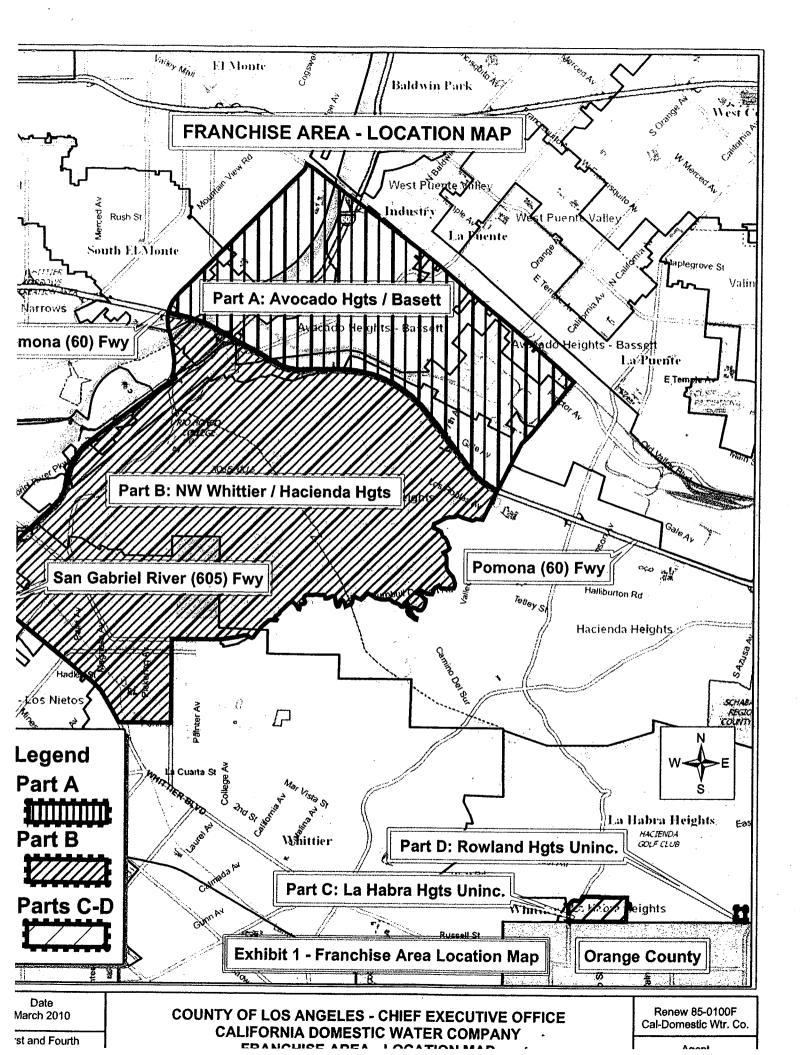
Cal-Domestic Brd

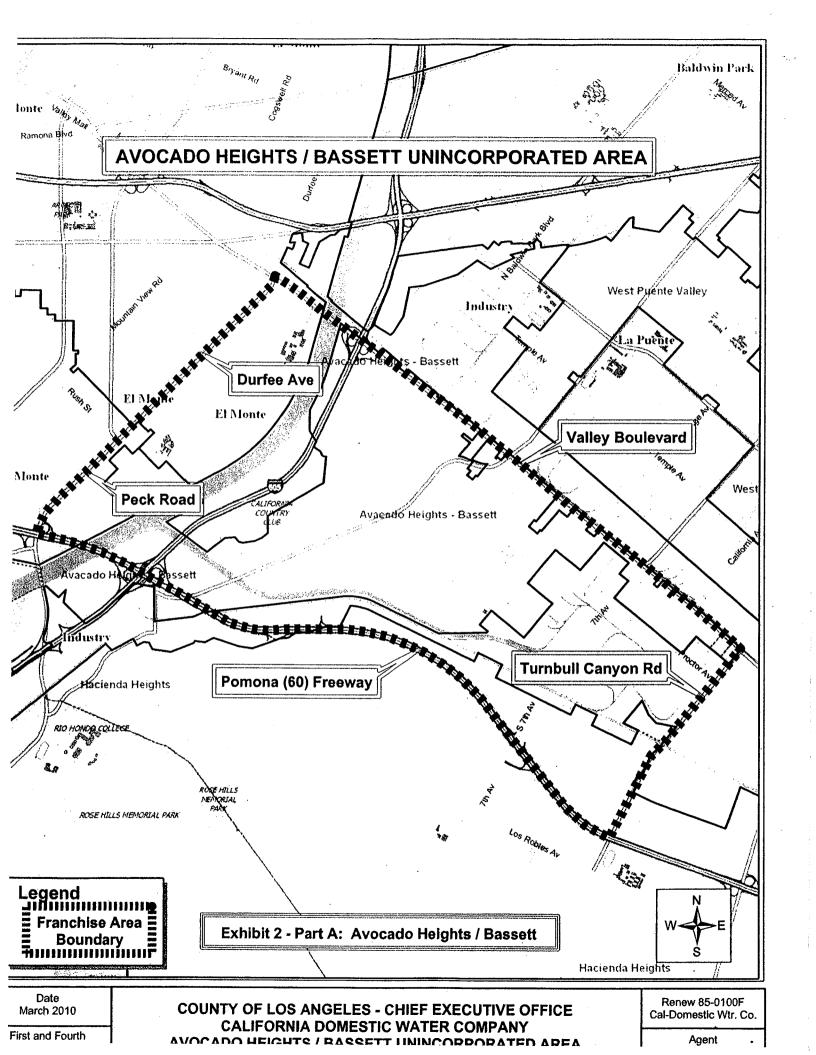
FRANCHISE AREA MAPS

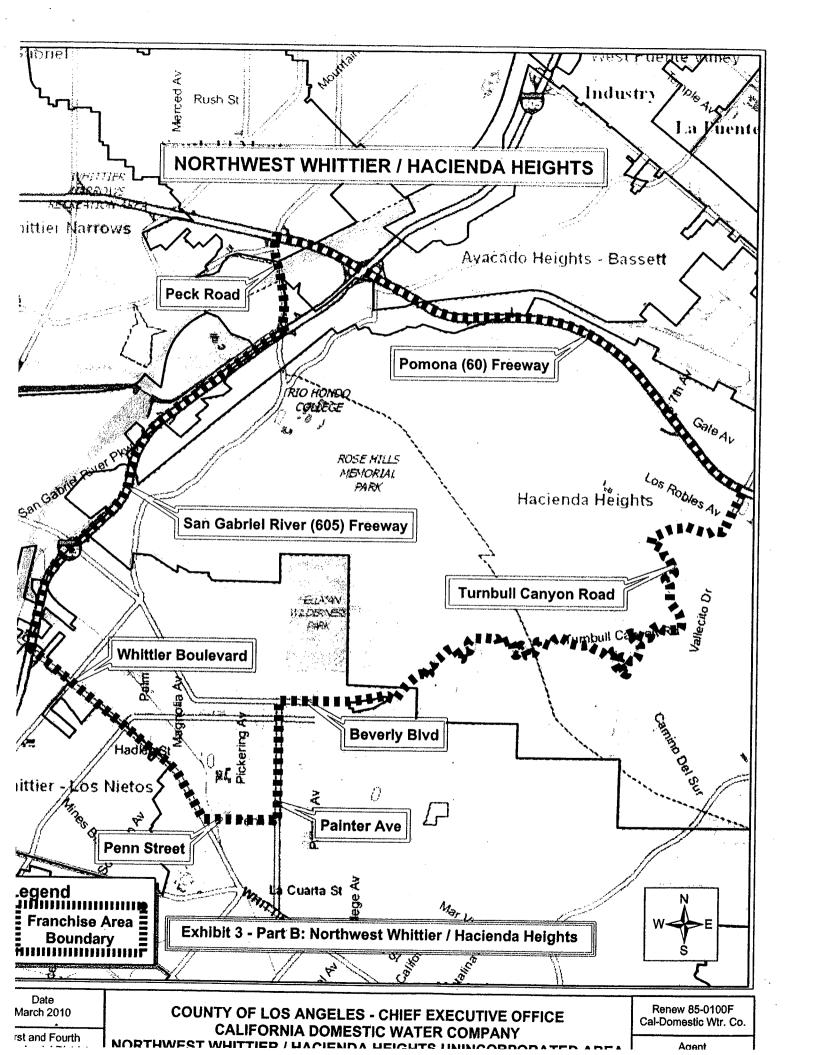
Location Map and Franchise Area Maps

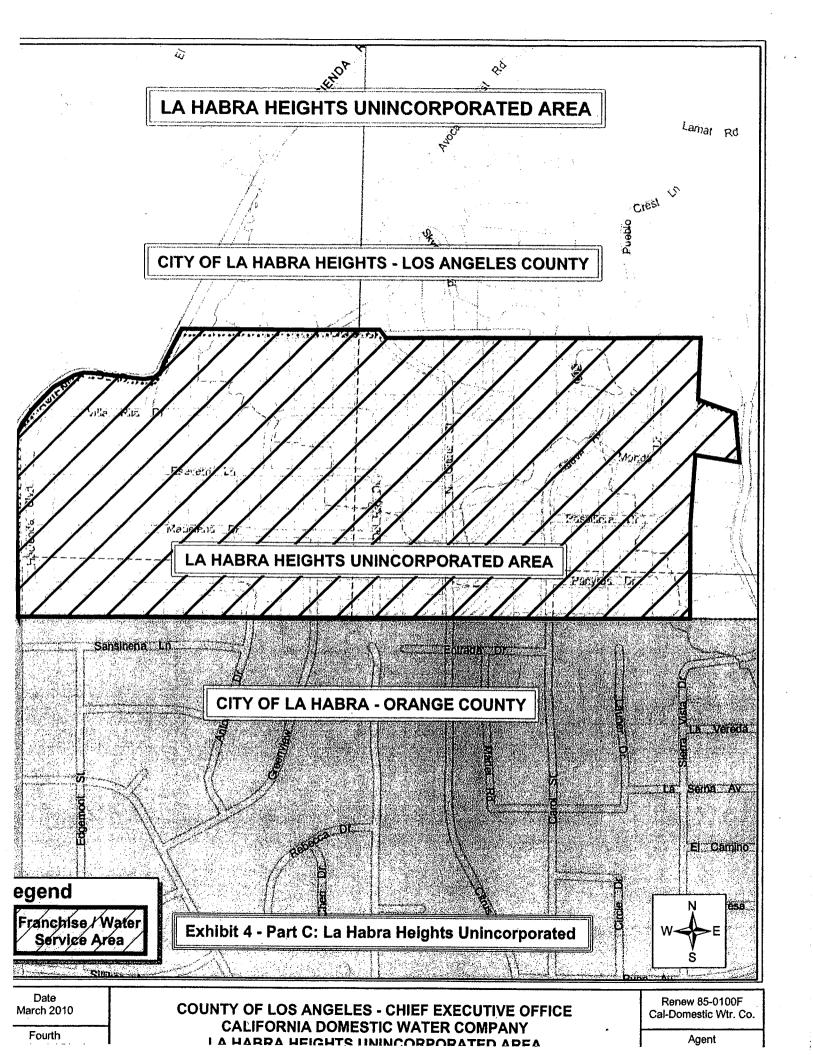
California Domestic Water Company

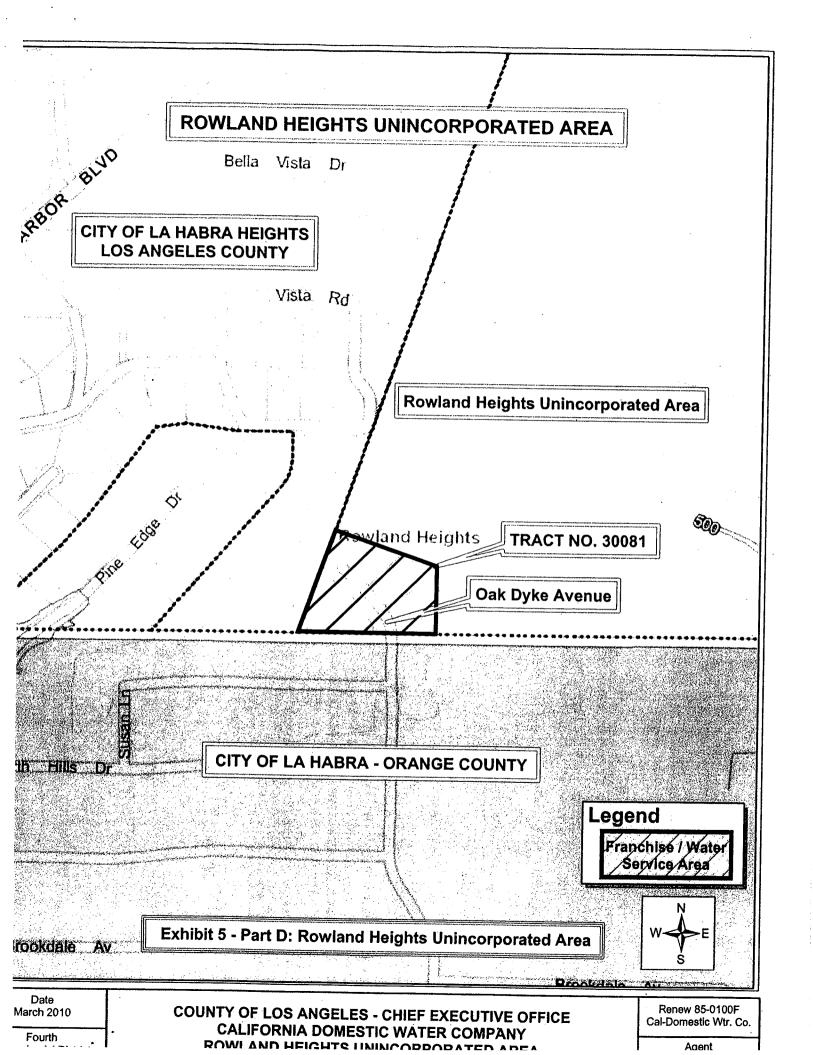
These maps illustrate the unincorporated areas affected by the franchise and are provided for the convenience of the reader.











RESOLUTION OF INTENTION

To Grant a

Water Pipeline Franchise

То

California Domestic Water Company

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RESOLUTION OF INTENTION TO GRANT A 15-YEAR WATER PIPELINE FRANCHISE TO CALIFORNIA DOMESTIC WATER COMPANY

BE IT RESOLVED by the Board of Supervisors of the County of Los Angeles, State of California:

- A. California Domestic Water Company, California а corporation ("Franchisee"), has applied to the Board of Supervisors of the County of Los Angeles, State of California, for a franchise for a period of fifteen (15) years, beginning on July 12, 2010, the operative date of the franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, and remove or abandon in place, pipes and pipelines for the transportation and distribution of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. § 9601 et seq., and amendments thereto (provided, however, that this exclusion shall not apply to substances in such amounts as are generally accepted as appropriate for the treatment of water), together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, adjunct communications lines, including poles, conduits, wire, cables, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for the Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use within the unincorporated territory of the County of Los Angeles, State of California, located within the franchise areas described in the proposed Ordinance to grant the franchise, attached hereto as Exhibit A, and depicted on the exhibit map(s) attached thereto.
- B. It is the intention of the Board of Supervisors of the County of Los Angeles, State of California, to grant the franchise applied for upon the terms and conditions herein mentioned. The Franchisee, and its successors and assigns will, during the life of its franchise, pay annually to the County of Los Angeles, State of California, the amount specified in the proposed Ordinance to grant the franchise, from the date of the granting of the franchise, and in the event such payment is not made, the franchise will be forfeited.
- C. The franchise is described in the Ordinance attached hereto as Exhibit "A" and is a franchise for water transportation and distribution purposes.

of the passage of this Resolution of I Supervisors, Room 381, Kenneth Hahr (corner of Temple Street and Grand A	, 2010, at the hour of 9:30 a.m. (20) nor more than sixty (60) days after the date Intention, in the hearing room of the Board of Hall of Administration, 500 West Temple Street Avenue), Los Angeles, CA 90012, all persons he franchise hereinabove described may appear heard thereon.
hearing to be published at least once	pard of Supervisors, shall cause notice of said within fifteen (15) days after adoption of this of general circulation published in the County of
adopted by the Board o State of California, and e	was on the day of, 2010, f Supervisors of the County of Los Angeles, x-officio the governing body of all other special istricts, agencies and authorities for which said
	SACHI A. HAMAI , Executive Officer-Clerk of the Board of Supervisors of the County of Los Angeles
	By Deputy
APPROVED AS TO FORM BY:	
ANDREA SHERIDAN ORDIN County Counsel By Grace V. Chang Senior Deputy County Counsel	

EXHIBIT A

Proposed Franchise Ordinance

To Grant a

Water Pipeline Franchise

To

California Domestic Water Company

ANALYSIS

This ordinance grants a water pipeline franchise to California Domestic Water Company, a California corporation ("Franchisee"), to transport and distribute water for a period of fifteen (15) years. The base annual fee payable to the County by Franchisee will be determined according to a formula contained in Section 2 of this franchise ordinance. Franchisee has paid a one-time granting fee of \$5,000.

ANDREA SHERIDAN ORDIN County Counsel

GRACE V CHANG

Senior Deputy County Counsel

Contracts Division

GVC:vn

Requested: (03/26/10) Revised: (03/29/10)

ORDINANCE NO.	

An ordinance granting a water pipeline franchise to California Domestic Water Company, a California corporation, for the transportation and distribution of water for a period of fifteen (15) years.

The Board of Supervisors of the County of Los Angeles ordains as follows: **SECTION 1**. Franchise Term, Grant.

A. The right, privilege, and franchise is granted to California Domestic Water Company, a California corporation ("Franchisee"), and its successors and assigns, for a period of fifteen (15) years, beginning on July 12, 2010, the operative date of this franchise, to lay, construct, reconstruct, maintain, operate, renew, repair, change the size of, remove, or abandon in place pipes and pipelines for the transportation and distribution of water, waste water, mud, and other liquid substances, including those substances that are generally accepted as appropriate for the treatment of water, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980," 42 U.S.C. 9601 et seq., and amendments thereto (provided, however, that this exclusion shall not apply to substances in such amounts that are generally accepted as appropriate for the treatment of water), together with all manholes, valves, cathodic protection systems, appurtenances, and service connections necessary or appropriate for the operation of said pipes or pipelines, adjunct communication lines, including poles, conduits, wires, cables, or other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for the Franchisee's operations in, under, along, or across any and all highways as defined in Section 16.36.080 of the Los Angeles County Code, now or hereafter dedicated to public use within the unincorporated territory of the County of Los Angeles ("County"), State of California, located within the following described franchise areas, and depicted on the exhibit map(s) attached hereto.

Part A. Avocado Heights/Bassett Unincorporated Area:

Those unincorporated areas of the County lying within the following described boundaries:

Beginning at the intersection of the centerline of Durfee Avenue with the northerly boundary line of Valley Boulevard in the City of El Monte, California; thence southwesterly along the centerline of Durfee Avenue to that point on said centerline where Durfee Avenue becomes Peck Road; thence southwesterly along the centerline of Peck Road to the centerline of the Pomona (60) Freeway; thence easterly and southeasterly along the centerline of the Pomona (60) Freeway to the centerline of Turnbull Canyon Road; thence northeasterly along the centerline of Turnbull Canyon Road, and its northeasterly prolongation, to the northerly boundary line of Valley Boulevard; thence northwesterly along the northerly boundary line of Valley Boulevard to the point of beginning, as the centerlines and boundary lines of said avenues, roads, boulevards and freeways existed on March 15, 2010.

Part B. Industry/Whittier Unincorporated Area:

Those unincorporated areas of the County lying within the following described boundaries:

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Beginning at the intersection of the centerline of Peck Road with the centerline of the Pomona (60) Freeway in the City of El Monte, California; thence southerly along the centerline of Peck Road to the centerline of the San Gabriel River (605) Freeway; thence southwesterly along the centerline of the San Gabriel River (605) Freeway to the southerly boundary line of Whittier Boulevard; thence southeasterly along the southerly boundary line of Whittier Boulevard to the westerly prolongation of the centerline of Penn Street; thence easterly along the centerline of Penn Street, and its westerly prolongation, to the centerline of Greenleaf Avenue; thence northerly along the centerline of Greenleaf Avenue to the centerline of Beverly Boulevard; thence easterly along the centerline of Beverly Boulevard to that point on said centerline where Beverly Boulevard becomes Turnbull Canyon Road; thence continuing easterly and northeasterly along the centerline of Turnbull Canyon Road, throughout its various courses and distances, to the centerline of the Pomona (60) Freeway; thence westerly and northwesterly along the centerline of the Pomona (60) Freeway to the point of beginning, as the centerlines and boundary lines of said avenues, roads, streets, boulevards and freeways existed on March 15, 2010.

Part C. La Habra Heights Unincorporated Area:

Those unincorporated areas of the County lying within the following described boundaries:

Beginning at the intersection of the westerly boundary line of Hacienda

Boulevard with the southerly boundary line of the County of Los Angeles, California,
said southerly boundary line of Los Angeles County being also the northerly boundary

line of the City of La Habra, in the County of Orange, California, and said westerly boundary line of Hacienda Boulevard being also the westerly boundary line of said County of Los Angeles, California, and the easterly boundary line of the city of La Habra Heights, California; thence easterly along said southerly boundary line of the County of Los Angeles, California, to the southeast corner of Tract No. 29465, recorded in Map Book 735, Page 32 and Page 33, of Tract Maps in the office of the Registrar-Recorder/County Clerk, of the County of Los Angeles, California (hereinafter, in the "Recorder's Office"); thence northerly along the easterly boundary line of said Tract No. 29465, to the most southerly southwest corner of Lot 6 of said Tract No. 29465, being also the northwest corner of Lot 13 of Tract No. 21780, recorded in Map Book 606, Page 61 and Page 62, of Tract Maps in the Recorder's Office; thence southeasterly along the southerly boundary line of said Lot 6 to the southeast corner thereon; thence northerly along the easterly boundary lines of Lot 6 and Lot 5 of said Tract No. 29465, to the northeast corner of said Lot 5; thence northwesterly along the northerly boundary line of said Lot 5 to the easterly boundary line of Lot 3 of said Tract No. 29465; thence northerly along the easterly boundary lines of Lot 3, Lot 2, and Lot 1 of said Tract No. 29465, to the northeast corner of said Lot 1; thence westerly along the northerly boundary line of said Lot 1 to the northwest corner thereon, being also the northeast corner of Lot 44 of Tract No. 28693, recorded in Map Book 728, Page 85 through Page 87, inclusive, of Tract Maps in the Recorder's Office; thence continuing westerly along the northerly boundary line of said Lot 44, and its westerly prolongation to the southeast corner of Tract No. 13106, recorded in Map Book 291, Page 29 and Page 30,

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of Tract Maps in the Recorder's Office; thence continuing westerly along the southerly boundary line of said Tract No. 13106, and its westerly prolongation (S°89 55' 40"W), to the intersection with the centerline of Citrus Street; thence northwesterly and westerly along the centerline of Citrus Street, and its westerly prolongation, to that point on said centerline where Citrus Street becomes Avocado Crest Road; thence continuing westerly along the centerline of Avocado Crest Road, and its westerly prolongation to the westerly boundary line of Hacienda Boulevard; thence southerly and southwesterly along said westerly boundary line of Hacienda Boulevard to the point of beginning, as the centerlines and boundary lines of said counties, tract maps, boulevards, streets and roads existed on March 15, 2010.

Part D. Rowland Heights Unincorporated Area:

Those unincorporated areas of the County lying within the following described boundaries:

Being all that portion of the Rowland Heights unincorporated area lying within the boundaries of Tract Map No. 30081, recorded in Map Book 751, Page 71 and Page 72, of Tract Maps in the Recorder's Office.

SECTION 2. Consideration; Payment of Fees.

- A. As consideration for the franchise granted, the Franchisee shall pay the County's Chief Executive Office ("CEO") a one-time granting fee of five thousand dollars (\$5,000) within thirty (30) days after the adoption of this ordinance.
- B. Franchise areas Part A and Part B: As additional consideration for the franchise granted, for Franchisee's use of the County highways located within the

franchise areas described in Section 1 Part A and Section 1 Part B, the Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year, for each year during the life of the franchise ("fee payment date"), to the County, in lawful money of the United States, a franchise fee computed annually ("annual franchise fee"), as set forth in Subsection 2.B.1 and Subsection 2.B.2, below, the "base annual fee" shall be calculated according to the applicable base rate for each lineal foot of pipeline as follows:

The length of pipe expressed in feet located within the franchise area(s) described in Section 1 Part A and Section 1 Part B shall be multiplied by the applicable base rate, derived in accordance with the following formula:

- 1. For pipes eight (8) inches or less in nominal internal diameter, the base annual fee shall be twelve (12) cents per lineal foot for main lines in highways as of December 31 of the calendar year preceding the applicable fee payment date; and
- 2. For pipes greater than eight (8) inches in nominal internal diameter, the base annual fee shall be twelve (12) cents per lineal foot for main lines in highways as of December 31 of the calendar year preceding the applicable fee payment date, for the first eight (8) inches of nominal internal diameter, plus two (2) cents per nominal internal diameter inch or fraction thereof over eight (8) inches.
- 3. Annual franchise fee: The base annual fee shall be calculated as set forth Subsection 2.B.1 and Subsection 2.B.2, above and adjusted each calendar year, including the year of granting of this franchise, on the applicable fee payment date in accordance with the following formula to derive the annual franchise fee, provided

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however, notwithstanding any proof of prior rights presented by Franchisee, in no event shall the annual franchise fee be less than two thousand five hundred dollars (\$2,500).

- a. The "Producer Price Index ("PPI") for all Commodities (1982 = 100)," as published by the United States Department of Labor, Bureau of Labor Statistics/Office of Information ("Bureau"), shall be defined as the "index," and such index as it stands on January 1, 2008 (i.e., 181.0), shall be defined as the "base index," which is declared to be 100, and the index for the month of September immediately preceding the fee payment date shall be defined as the "current index";
- b. If the current index differs from the base index, then the base annual fee shall increase or decrease by the percentage increase or decrease between the current index and the base index, provided that, if the current index drops below the base index, no adjustment shall be made. The base annual fee shall be multiplied by an adjustment factor determined by dividing the current index by the base index. For example, if the base index is 181.0 and the current index is 210, the annual franchise fee shall be one hundred and sixteen percent (i.e., 210 / 181.0 = 1.160 = 116%), times the base annual fee, provided however, under no circumstances shall the multiplying factor be less than one, nor shall the annual franchise fee calculated using said factor, be less than the base annual fee. If the Bureau shall revise the index, the parties hereto shall accept the method of revision for conversion recommended by the Bureau; and
- c. If the Bureau discontinues the preparation or publication of the PPI for all commodities (1982 = 100), and if no transposition table prepared by the Bureau is available applicable to the year of 1982, then the amount of each annual

franchise fee shall be computed by reference to such other price index as may be chosen by the County, and the County shall be the sole judge of comparability of successive indices and its determination on this point shall be final and conclusive. In no event shall the annual franchise fee adjusted by reference to such other price index be less than the base annual fee as set forth in Section 2.B above.

C. Franchise areas Part C and Part D: As additional consideration for the franchise granted, for Franchisee's use of the County highways located within the franchise areas described in Section 1 Part C and Section 1 Part D, the Franchisee shall pay annually in arrears to the County, on or before the fee payment date defined hereinabove, in lawful money of the United States, an annual franchise fee as provided herein as follows:

Two percent (2%) of the gross annual receipts of the Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of the Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. In the event this amount is increased by federal or state law or the County is empowered to increase the rate, the County reserves the right to increase the rate to the maximum amount permitted by federal, state, or local law.

D. In addition to the foregoing annual franchise fee payments in Section 2.B, Section 2.C, the Franchisee shall also pay:

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- 1. The County Department of Public Works, Construction Division, Permit Section, within sixty (60) days after the end of each calendar year, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars (\$100) per mile, or fraction thereof, for all new main lines laid during that preceding calendar year.
- 2. The County Auditor-Controller, within sixty (60) days after the end of each calendar year, for each year during the life of the franchise, an annual fee of twenty-five dollars (\$25) per pole-mile, or portion thereof, for aerial or above-ground lines, and twenty-five dollars (\$25) per mile, or portion thereof, for underground conduit for wire, cable, telephone, or telegraph lines maintained under the franchise during that preceding calendar year.
- E. The County reserves the right to change its method of calculating fees and the amount thereof, not more frequently than once every five (5) years, if the Board of Supervisors ("Board") determines after a public hearing that good cause exists for such change, and such change is not in conflict with the laws of the State of California.
- F. The Franchisee shall also pay any application fees, administrative fees, processing fees, late charges, accrued interest, and penalties required in connection with this franchise. These fees may be charged at the then-current applicable rates.

SECTION 3. Reports.

A. Franchise areas Part A and Part B: The Franchisee shall during the life of the franchise:

- 1. File with the County Auditor-Controller and the CEO, Director of Real Estate, on the fee payment date, with one copy to each, a report, verified under oath by a duly authorized representative of the Franchisee, showing as of December 31 of the immediately preceding calendar year ("franchise report period"), the length of the Franchisee's main lines in highways, the nominal internal diameter of such main lines, the "rate per foot per year," defined as the amount payable per lineal foot per year under Section 2, and the computation of the total amount of the annual franchise fee due to the County, together with such data as is necessary in the opinion of the County Auditor-Controller and/or the CEO, Director of Real Estate, to calculate or verify the calculation of the annual franchise fee as required by Section 2.
- 2. In the report prepared pursuant to subsection 3.A.1 above,
 Franchisee shall also show: any change in franchise footage since the end of the most
 recent franchise report period, if any, segregating such footage as to new main lines
 laid, old main lines removed, old main lines abandoned in place, including the internal
 diameter of such main lines laid, removed, and/or abandoned in place; the footage of
 new conduits laid for wires, cables, telegraph, or telephone lines, old conduits removed,
 old conduits abandoned in place; the diameter of such conduits laid, removed, and/or
 abandoned in place; and the footage and internal diameter of main lines in territory
 annexed or incorporated since the last day of the most recent franchise report period.
- 3. File with the Director of the County Department of Public Works and the CEO, Director of Real Estate, on or before the fee payment date, with one copy to each, a report showing the permit number of each permit obtained for the installation

of new main lines and conduits during the most recently completed franchise report period, together with the length and size of such main lines and conduits.

- B. Franchise areas Part C and Part D: The Franchisee shall during the life of the franchise:
- 1. File with the County Auditor-Controller and the CEO, Director of Real Estate, on or before each fee payment date, with one (1) copy to each, a report, verified under oath by a duly authorized representative of the Franchisee, showing as of the franchise report period, the total gross receipts of the Franchisee for the immediately preceding franchise report period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such additional data as is necessary in the opinion of the County Auditor-Controller and/or the CEO, Director of Real Estate, to calculate or verify the calculation of the annual franchise fee as required by Section 2.
- 2. In the report prepared pursuant to subsection 3.B.1 above,
 Franchisee shall also show: any change in franchise footage since the end of the most
 recent prior franchise report period, segregating such footage as to new main lines laid,
 old main lines removed, old main lines abandoned in place, including the internal
 diameter of such main lines laid, removed, and/or abandoned in place; the footage of
 new conduit laid for wires, cables, telegraph, or telephone lines, old conduit removed,
 old conduit abandoned in place; the diameter of such conduits laid, removed, and/or
 abandoned in place; and the footage and internal diameter of main lines in territory

annexed or incorporated since the last day of the most recent prior franchise report period.

3. File with the Director of the County Department of Public Works and the CEO, Director of Real Estate, within sixty (60) days after the end of each franchise report period, with one (1) copy to each, a report showing the permit number of each permit obtained for the installation of new main lines and conduits during the just completed franchise report period, together with the length and size of such main lines and conduits.

SECTION 4. Late Payments.

- A. In the event Franchisee fails to make any of the payments provided for herein on or before the dates they are due, the Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the due date. The ten percent (10%) has been set by both parties hereto in recognition of the difficulty in affixing actual damages from a breach of this time of performance requirement.
- B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the due date, an assessment of interest shall accrue on the unpaid balance at one percent (1%) per month beginning on the ninety-first (91st) day after the due date.

SECTION 5. Indemnification, Insurance, and Bonding.

The Franchisee shall meet the following indemnification, insurance, and bonding requirements:

Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's agents") from and against any and all liability and expense, including claims and lawsuits for injuries or damages of any nature whatsoever, including but not limited to bodily injury, death, personal injury, or property damage, including property of the Franchisee, and including pollution liability, defense costs, legal fees, and workers' compensation benefits, based upon, arising from, or relating to either: (1) Franchisee's operations or the services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee's agents") in connection with this franchise; and/or (2) the acts or omissions of Franchisee, Franchisee's agents, or any person in connection with activities or work conducted or performed pursuant to this franchise and arising out of such activities or work. Franchisee shall also indemnify, defend, and hold harmless the County and the County's agents from and against any and all pollution liability, contamination, or environmental degradation liability, including any and all expenses, claims, and lawsuits for injuries or damages of any nature whatsoever, defense costs, legal fees, and workers' compensation benefits, arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above-ground or below-ground watercourse or body of water, in connection with this franchise. The Franchisee shall not be obligated to indemnify the County and

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County's agents for liability and expense arising from the active negligence of the County or County's agents.

- B The County shall be immediately notified by Franchisee of all discharge. release, or escape of any water, waste water, mud, or other substances from Franchisee's pipelines and appurtenances within the franchise area. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines, and to repair or restore Franchisee's pipelines and appurtenances, shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's Agents, in conformance with any and all laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, state, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken. If Franchisee fails to take any action required pursuant to this section, County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's expense. Upon written demand by County, Franchisee shall reimburse County for all County expenses reasonably incurred in connection with County's actions including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.
- C. Without limiting Franchisee's indemnification of County or County's agents, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of

insurance shall be satisfactory to the County, and shall be primary to, and not contributing with, any other insurance or self-insurance programs maintained by the County.

- 1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered on or before the effective date of this franchise, and on or before the expiration date of each term of insurance, to the CEO, Real Estate Division, Attn: Property Management Section, 222 South Hill Street, 3rd Floor, Los Angeles, California 90012, or such other address(es) as Franchisee may be directed in writing by the CEO. Such certificates or other evidence shall:
 - a. Specifically identify this franchise ordinance;
- b. Clearly evidence all insurance required in this franchise ordinance;
- c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of workers' compensation, or other insurance required by this Section 5;
- d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's agents as insureds for all activities arising from this franchise; and

- e. Show the Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection (d) stating "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by the additional insureds and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insured's insurance."
- 2. The County reserves the right to require copies of Franchisee's insurance policies at County's request.
- 3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A: VII, unless otherwise approved by the County.
- 4. The Franchisee agrees to release the County and County's agents and waive its rights of recovery against them under the insurance policies specified in this franchise ordinance.
- 5. Liability: Such insurance shall be endorsed naming the County of Los Angeles and the County's agents as additional insureds, and shall include, but not be limited to:
- a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG 00 01, or its equivalent, unless otherwise approved by the County), with limits of not less than five million dollars (\$5,000,000) per occurrence, fifteen million dollars (\$15,000,000) policy aggregate, and fifteen million dollars (\$15,000,000) products/completed operations aggregate.

- i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following termination or cancellation of this franchise.
- b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by the County), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than two million dollars (\$2,000,000) per occurrence.
- 6. Workers' Compensation: A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California. Such policy shall be endorsed to waive subrogation against the County for injury to the Franchisee's employees. If the Franchisee's employees will be engaged in maritime employment, the coverage shall provide the benefits required by the Federal U.S. Longshoreman and Harbor Worker Compensation Act, Jones Act, or any other federal law to which the Franchisee is subject. In all cases, the above insurance shall include Employers' Liability insurance with coverage of not less than:
 - a. Each accident: one million dollars (\$1,000,000).
 - b. Disease-policy limit: one million dollars (\$1,000,000).
 - c. Disease-each employee: one million dollars (\$1,000,000).
- D. Franchisee shall furnish the CEO, Real Estate Division, at the location specified in subsection 5.C.1 within thirty (30) days of the adoption of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of the policies required by subsection 5.C or a certificate of insurance for

each of said policies executed by the Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

- E. As an alternative to commercial insurance from Franchisee, the County may consider and approve, at the County's sole option, Franchisee's use of a program of self-insurance or self-insured retention, upon review and approval of the following:
- 1. An agreement to provide the County and the County's agents with indemnification in accordance with subsections 5.A and 5.B. The County shall be provided at least the same defense of suits and payments of claims as would be provided by the first dollar of commercial insurance.
- 2. A formal declaration by Franchisee to be self-insured for the type and amount of coverage indicated in this ordinance. This can be in the form of a corporate resolution or a certified statement from an authorized principal of the Franchisee. Franchisee must notify the CEO, Real Estate Division, at the location specified in subsection 5.C.1, immediately of discontinuation or substantial change in the self-insurance or self-insured retention program.
- 3. An agreement to notify the CEO immediately of any claim, judgment, settlement, award, verdict, or change in Franchisee's financial condition which would have a significant negative effect on the protection that the self-insurance or self-insured retention program provides to the County.
- 4. The name, address, and telephone number of Franchisee's legal counsel and claim representative, respectively, for the self-insurance or self-insured retention program.

- 5. Upon request by CEO, an audited financial statement that gives evidence of Franchisee's capacity to respond to claims falling within the self-insurance or self-insured retention program. Resubmission of such a statement may be required annually for the duration of the franchise, or more frequently at the request of the CEO.
- 6. A Certificate of Consent to Self-Insure issued by the State of California, Department of Industrial Relations certifying Franchisee's compliance with the requirements of the Director of Industrial Relations under the provisions of the Labor Code of the State of California (sections 3700 to 3705, inclusive) and certifying Franchisee has furnished satisfactory proof to said Director of Franchisee's ability to self-insure and to pay any compensation that may become due to Franchisee's employees.
- 7. Failure on the part of the Franchisee to comply with the County's requirements for approval of a program of self-insurance or self-insured retention will result in withdrawal of the County's approval to self-insure.
- F. Within thirty (30) days following the adoption of this ordinance, Franchisee shall provide to the CEO, at the location specified in subsection 5.C.1, a faithful performance bond in the sum of not less than fifty thousand dollars (\$50,000) payable to the County of Los Angeles and executed by a corporate surety, acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by the Franchisee of the terms and conditions of this franchise and shall provide that, in case of any breach of condition of this franchise, the whole amount of the penal sum, or any portion thereof, shall be

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deemed to be liquidated damages, and shall be payable to the County by the principal and surety(ies) of the bond.

- 1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond as provided in this section, Franchisee shall restore the bond to the full amount specified herein.
- 2. The faithful performance bond shall continue to exist for one (1) year following the CEO's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of the franchise.

 The CEO may release said bond prior to the end of the one (1) year period upon satisfaction by Franchisee of all the obligations under the franchise.
- 3. At its sole option, the County may accept certificates of deposit, cash deposits, irrevocable letters of credit, or U.S. government securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative security shall be made payable to the County, and shall be deposited with the County's Auditor-Controller and/or Treasurer and Tax Collector, as applicable.
- G. The types and amounts of said insurance coverage and bonding shall be subject to review and adjustment by the County, at County's sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) as determined by the County, within thirty (30) days after written notice from the County.

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- H. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.
- I. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. Any franchise operations shall not commence until Franchisee has complied with the provisions of this Section 5, and any operations shall be suspended during any period that Franchisee fails to maintain the insurance and bonding required hereunder.

SECTION 6. Transfers and Assignments.

- A. Franchisee shall not sell, transfer, assign, lease, hypothecate, place in trust, or change the control of the franchise or any part thereof (each of which is hereinafter referred to as an "assignment"), to any other person or entity ("transferee") except with the prior written consent of the CEO, and after payment of a transfer fee as detailed in subsection 6.G. As used in this section, "transfer" includes stock transfer and "control" includes actual working control in whatever manner exercised.
- B. Franchisee shall give notice to the CEO of any pending assignment, except as excluded in subsection 6.E, and shall provide all documents requested by the CEO, as set forth in subsection 6.F, on which the assignment is predicated. Consent to any such assignment shall only be refused if the CEO finds that Franchisee is in noncompliance with the terms and conditions of the franchise and/or that the proposed transferee, as applicable, is lacking in experience and/or financial ability to meet the

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franchise obligations. Consent from the CEO shall be conditioned upon the consummation of the assignment on the terms and conditions set forth in the assignment documents delivered to County, the assumption by the transferee, as applicable, of all the Franchisee's covenants and obligations under the franchise, and all information provided CEO under subsection 6.F, below, being true and correct as of the time of the consummation of the assignment. Upon receipt of such consent from the CEO, Franchisee may proceed to consummate the assignment.

- C. Franchisee shall file with the CEO within thirty (30) days after the effective date of any such assignment, a certified copy of the duly executed instrument(s) which officially evidences such assignment. If such duly executed instrument(s) is not filed with the CEO within thirty (30) days after the effective date of such assignment, or if the conditions to consent by the CEO have not been met, then upon expiration of said thirty (30) days, the CEO may notify the Franchisee and the proposed transferee that the assignment is not deemed approved by the County. The CEO may then administratively determine that the assignment has no force or effect or that the franchise is forfeited and the Board may repeal this franchise.
- D. As a condition to the granting of consent to such assignment, the Board may impose such additional terms and conditions upon this franchise, and upon the proposed transferee which the CEO recommends or the Board deems to be in the public interest. Such additional terms and conditions shall be expressed by ordinance. Nothing contained herein shall be construed to grant Franchisee the right to complete

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an assignment except in the manner aforesaid. This section applies to any assignment, whether by operation of law, by voluntary act of the Franchisee, or otherwise.

- E. Notwithstanding the foregoing, shareholders, partners, and/or any other person or entity owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein. However, in the event any such sale, transfer, exchange, assignment, divestment, or other change is effected in such a way as to give control of, or a twenty-five percent (25%) or more interest in, Franchisee, to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in the Franchisee on the effective date of the franchise or the effective date of the last approved assignment, consent thereof shall be required as otherwise provided in this Section 6.
- F. Upon notice by Franchisee of any pending assignment, the proposed transferee shall submit an assignment application to the CEO, which shall contain, at a minimum:
- 1. Identification of the proposed transferee which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and by-laws, limited partnership agreements, operating agreements), and the names and addresses of any parent or subsidiary of the proposed transferee(s), or any other business entity owning or controlling the proposed transferee in part or in whole;
- 2. A current financial statement, which has been audited by a certified public accountant demonstrating conclusively to the satisfaction of the CEO that the

proposed transferee has all the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance sheet, profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed transferee has been in existence for less than three (3) years, then for such period of existence;

- A copy of the proposed agreement of sale, letter of understanding, or other documentation which details the pending assignment ("assignment documents"); and
- 4. Other information which may be required by the CEO to assess the capability of the proposed transferee to operate and maintain the franchise.
- G. The transfer fee shall be submitted with the Franchisee's request for the County's consent to any assignment described in subsection 6.A and shall be determined as follows:
- 1. Consent to assignment or any other action, in which the County does not elect to modify the franchise by adoption of an amending ordinance: two thousand five hundred dollars (\$2,500).
- 2. Consent to assignment or any other action, in which the County elects to modify the franchise by adoption of an amending ordinance: five thousand dollars (\$5,000).
- 3. In the event County's actual costs to process the proposed assignment application, including any consultant's fees incurred by the County to assist in evaluating the application, exceed the fees detailed above, the Franchisee and

proposed transferee may be required to pay any additional costs incurred by the County in processing the Franchisee and/or proposed transferee's request for assignment.

Such costs shall be paid by the Franchisee and the proposed transferee prior to final consideration of the request by the CEO or the Board, as applicable.

SECTION 7. Relocation of Pipelines.

In the event the Franchisee receives notice to relocate its pipelines and appurtenances pursuant to Section 16.52.290 of the County Code, in addition to all obligations of Franchisee and rights of the County under Sections 16.38.450 and 16.52.290 of the County Code, if Franchisee neglects or fails to relocate its facilities in a timely manner after receipt of any such notice, Franchisee shall be responsible for, and shall reimburse the County, city, or other applicable public entity, for any and all additional costs or expenses incurred by the County, city, or other applicable public entity due to, or resulting from, such delay in relocation of the facilities.

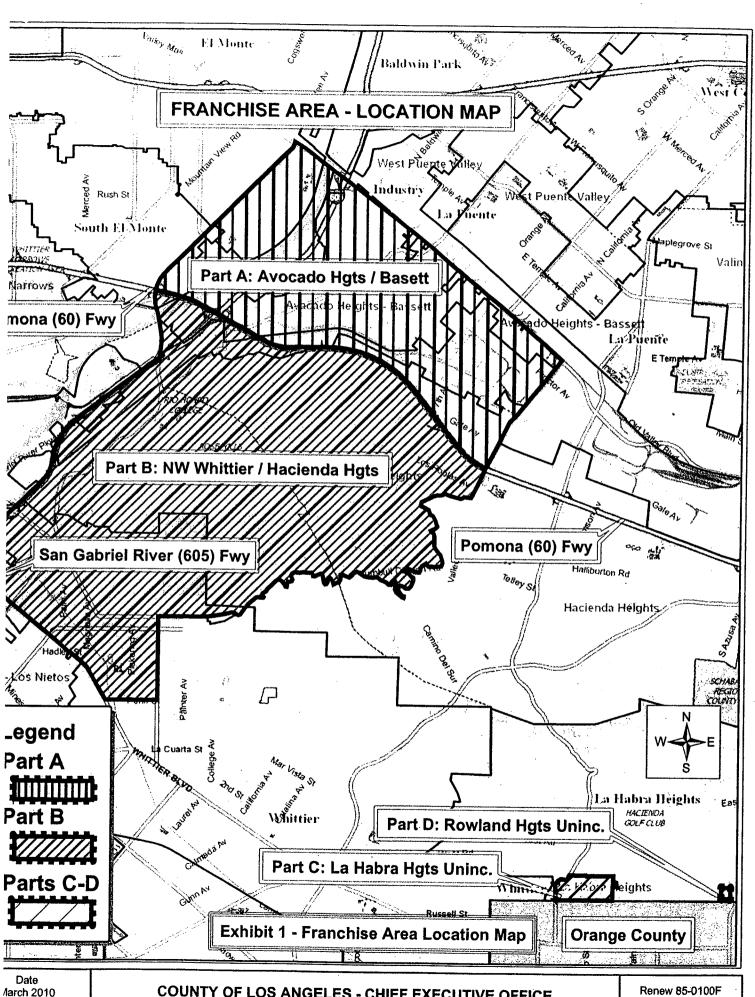
SECTION 8. Pipeline Franchise Ordinance.

In addition to the terms and conditions stated herein, this franchise is granted under all of the terms and conditions contained in the County Pipeline Franchise Ordinance, Title 16, Division 3A, of the Los Angeles County Code, as codified in 1978 and amended to date, which is incorporated herein by reference, as it may hereafter be amended. In the event the terms and conditions of this franchise conflict with the terms of the County Pipeline Franchise Ordinance, the terms and conditions hereof shall control. Without limiting the generality of the foregoing, Sections 16.52.020H,

16.52.100, 16.52.110, 16.52.120, 16.52.140, 16.52.220, 16.54.080, and 16.54.090 are superseded by this franchise granting ordinance.

SECTION 9. Franchise Operative Date.

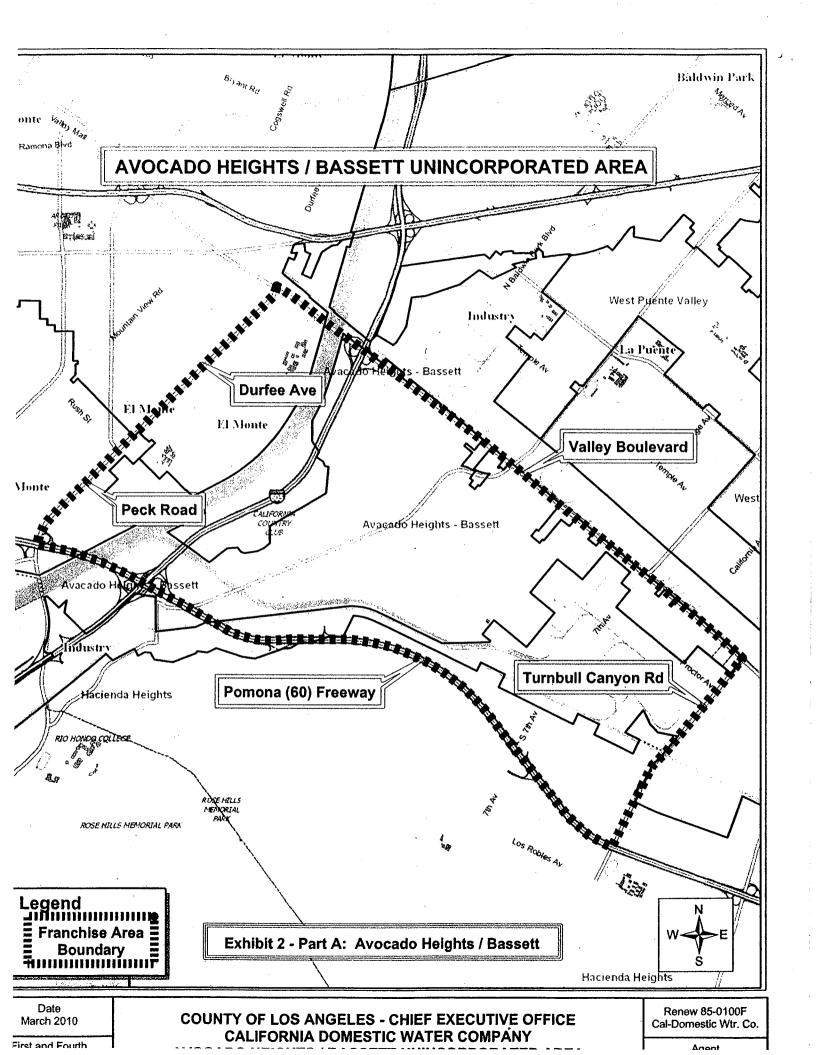
The operative date of this franchise shall be July 12, 2010. [CALDOMESTICWATERPIPEFRN]

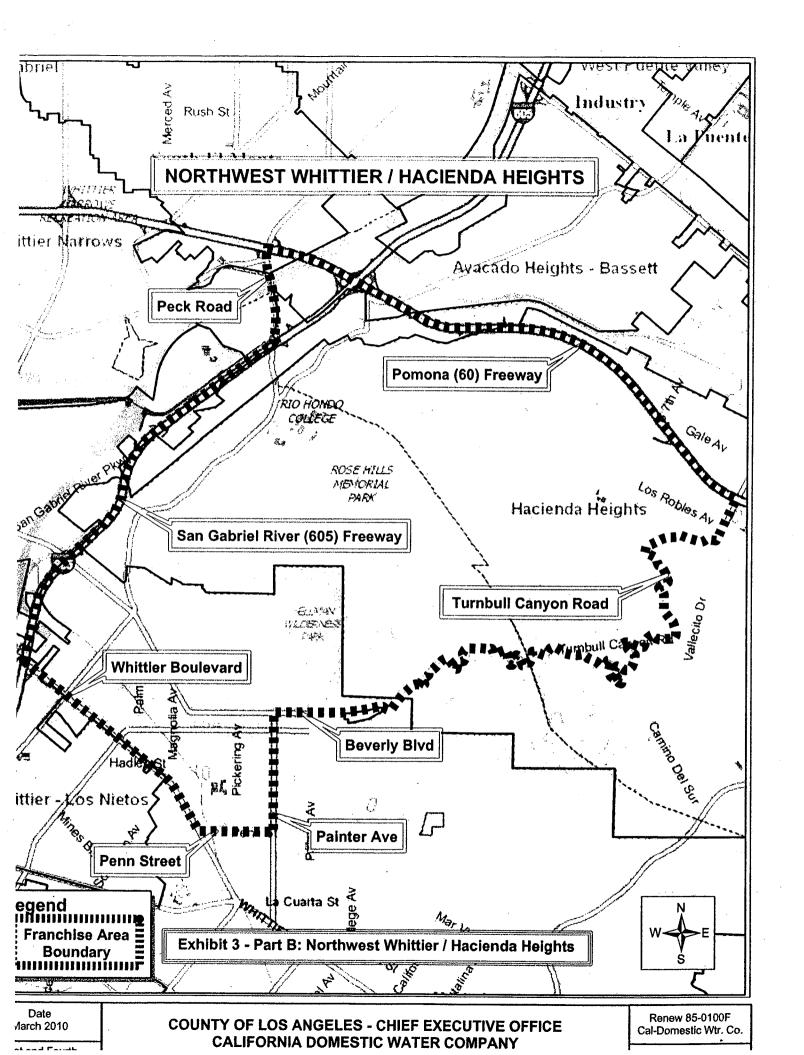


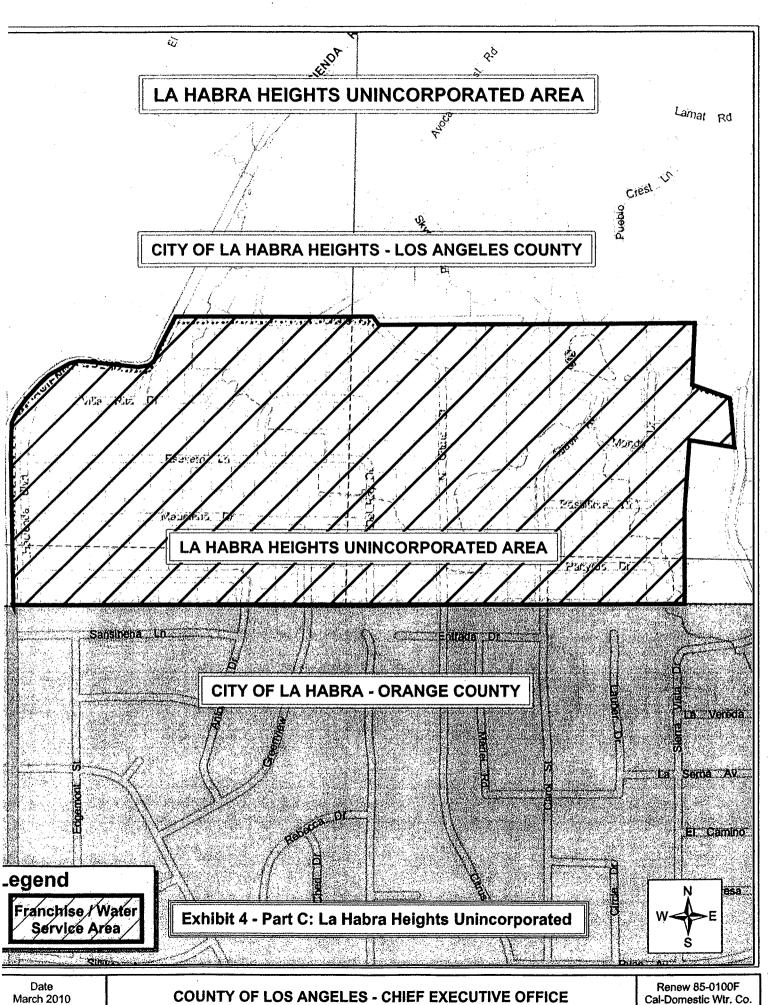
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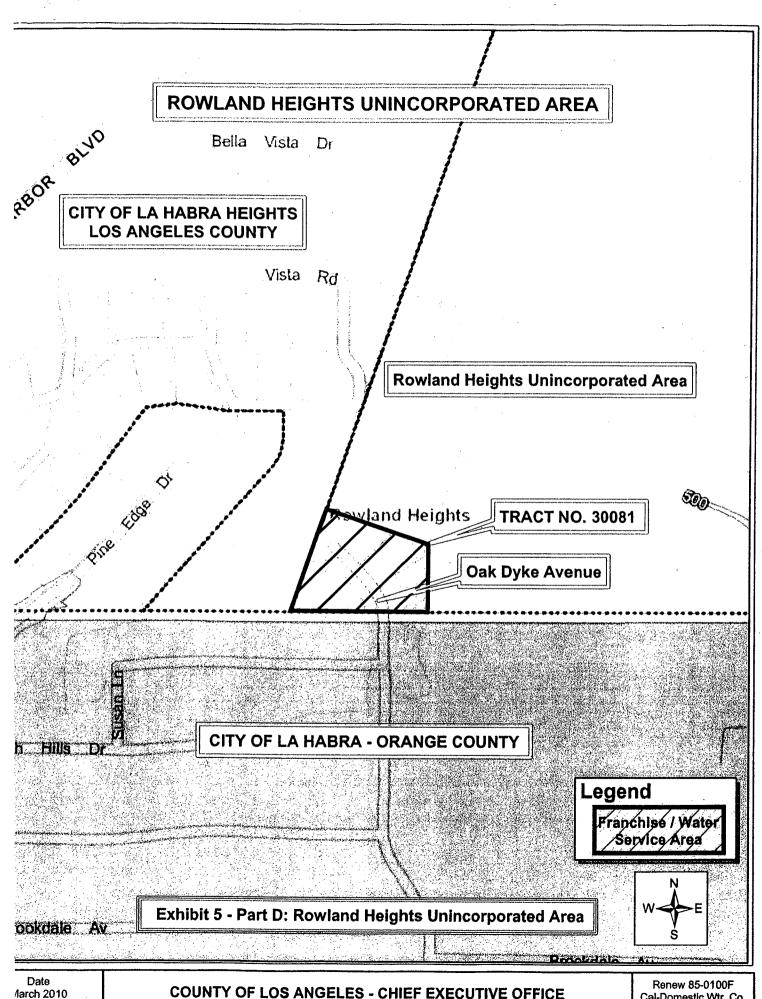






CALIFORNIA DOMESTIC WATER COMPANY

Cal-Domestic Wtr. Co.



COUNTY OF LOS ANGELES - CHIEF EXECUTIVE OFFICE CALIFORNIA DOMESTIC WATER COMPANY

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